



HESCO HYDERABAD ELECTRIC SUPPLY COMPANY

OFFICE OF THE COMPANY SECRETARY
HESCO HYDERABAD

No.HESCO/CS/Min-128th BOD meet:/4291-4308

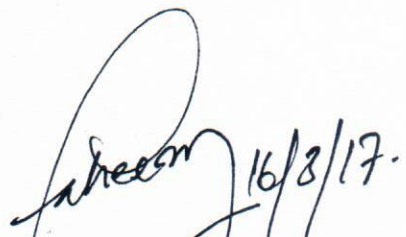
16th March, 2017

1. **Secretary**, Ministry of Water & Power GOP Islamabad.
2. **Prof. Dr. Muhammad Aslam Uqaili**, Chairman BOD HESCO.
3. **Mr. Shafique Ahmed Mehasar**, Director BOD HESCO.
4. **Mr. Waqas Anwar Qureshi**, Director BOD HESCO.
5. **Mr. Mahfooz Ahmed Bhatti**, Director BOD HESCO
6. **Mr. Tassaduq Hussain**, Director BOD HESCO.
7. **Mr. Mehmood Nawaz Shah**, Director BOD HESCO.
8. **Director BOD HESCO** / Commissioner Hyderabad.
9. **Mr. Asad Ullah**, Director BOD / CEO HESCO.

Subject: **MINUTES OF 128TH BOD OF HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED**

The minutes of 128th BOD meeting of Hyderabad Electric Supply Company Limited held on 18th February, 2017 at 11:00 am in the Committee Room, HESCO Power Wing Colony, Hussainabad Hyderabad duly approved by the Chairman BOD and signed by Company Secretary of BOD HESCO are sent herewith for your information please.

DA / as above


(FAHEEMULLAH MEMON)
COMPANY SECRETARY
HESCO HYDERABAD

Cc to:

1. Chief Technical Officer, HESCO Hyderabad
2. Chief Engineer (Development) PMU, HESCO Hyderabad.
3. Chief Commercial Officer, HESCO Hyderabad.
4. Chief Operating Officer, HESCO Hyderabad.
5. Chief Engineer (P&E), HESCO Hyderabad.
6. Admn & HR Director, HESCO Hyderabad.
7. Finance Director, HESCO Hyderabad.
8. Manager (IS), HESCO Hyderabad.
9. Manager (M.M), HESCO Hyderabad.
10. Manager (Commercial), HESCO Hyderabad.
11. Executive Engineer (Civil), HESCO Hyderabad.
12. Master File.

MINUTES OF 128TH BOD MEETING HESCO HYDERABAD

Meeting of the 128th BOD HESCO was held on Saturday, the 18th February, 2017 at 11:00 am in the Committee Room, HESCO Power Wing Colony Hussainabad, Hyderabad. List of participants is attached at (Annexure-I).

The meeting started with the recitation of verses from the Holy Qura'an. The Company Secretary extended warm welcome to the participants of meeting.

Initiating the meeting Company Secretary informed that Qazi Shahid Pervez and Mr. Shafique Ahmed Mahessar, H'able Directors BOD HESCO could not attend the meeting due to recent suicide blast in Sehwan Sharif. Board offered DUA for those people effecting in the deadliest blast.

Before starting meeting Mr. Mahfooz Ahmed Bhatti H'able Director brought to the attention of the Board towards implementation status of previous Board meeting and further enquired the progress of directives of the Honorable Secretary Water and Power during his last visit to HESCO. He further informed that Ministry of Water & Power is regularly conducting its progress review meetings on monthly basis at Islamabad. He proposed that BOD should also be shared with the progress, and the contents of the monthly performance review meetings. Board directed that the management should share the minutes of Performance Review Meetings with the Board. Board further proposed that this review should be shared in the next meeting of the Board. Subsequently, the review of the progress should be shared with the Board regularly.

Board further suggested the following:

- Minutes of Secretary Water and Power meeting be shared with all Board Directors.
- Targets given by Ministry Water and Power to each individual officer as well as by the HESCO management should be circulated to Board Directors. Board suggested that an exclusive meeting with HESCO field officers be fixed to review their progress and future targets.

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- Board suggested for an incentive / cash reward to be given on best performance on quarterly basis.
- Board will review the progress made on the directions given by the Board and the review meeting held by MOWP.
- The Board also enquired about the progress made on the issues highlighted in the last meeting with SEs, and directed that the progress be shared with the Board in next meeting and the relevant SEs be also called for that.
- The Board also enquired about the implementation status which should be part of every minutes as directed by the Board earlier.

Agenda-1 **CONFIRMATION OF MINUTES OF 127TH BOD MEETING**

Decision HESCO Board of Directors confirmed the 127th BOD minutes of its meeting held on Saturday, the 14th January, 2017 as a true and correct record of proceedings.

Agenda-2 **TO CONSIDER AND APPROVE THE RESIGNATION OF MR. NAZAR HUSSAIN MAHAR FROM CHAIRMAN BOD HESCO AS WELL AS FROM DIRECTOR BOD AND ELECTION OF NEW CHAIRMAN BOD HESCO**

Company Secretary informed that Honorable Mr. Nazar Hussain Mahar has resigned from the post of Chairman BOD as well as from Director BOD HESCO, therefore to run the affairs of Company as well as BOD HESCO, the appointment of Chairman BOD is mandatory.

Thereafter, Company Secretary requested the H'able Directors to extend their valuable views on the issue of appointment of Chairman BOD, HESCO. Board after detailed discussion suggested that as the Company is registered under Companies Ordinance, 1984 as per Corporate Governance Rules, 2013 and required to have Chairman from Independent Directors, so that the Board given liberty to Independent Directors to offer their comments first.

Accordingly H'able Director, Mr. Mehmood Nawaz Shah being Independent Director proposed the name of Prof. Dr. Muhammad Aslam Uqaili for the

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Chairmanship of BOD HESCO. The proposal was seconded by Mr. Waqas Anwar Qureshi being Independent Director. The rest of the Directors of BOD i.e Mr. Tassaduq Hussain, Mr. Mehfooz Ahmed Bhatti and Mr. Asad Ullah CEO HESCO also unanimously agreed to uphold the proposal and consequently Prof. Dr. Muhammad Aslam Uqaili become the new Chairman BOD HESCO. Company Secretary further informed the Board regarding the telephonic message of Mr. Shafiq Ahmed Mahesar to vote Prof. Dr. Muhammad Aslam Uqaili to be Chairman.

Decision

Board after detailed discussion and getting comments from each Director proposed and approved Prof. Dr. Muhammad Aslam Uqaili as Chairman of the Board of Directors HESCO temporarily till regular substitute. Board further suggested that Ministry Water and Power may be approached to enhance the No. of Independent Directors in HESCO Board so that permanent Chairman could be nominated from Independent Directors. Whereas Board appreciated the service rendered by Mr. Nazar Hussain Mahar sahib and approved the resignation submitted by him to Honorable Secretary Water & Power due to his personal reasons.

Newly elected Chairman of BOD HESCO Prof. Dr. Muhammad Aslam Uqaili, after taking the seat given thanks to all Directors of BOD for reposing confidence upon him and assured that he will try his level best to meet the challenging task of raising the efficiency of HESCO. He further requested to all the Directors to extend their full cooperation in achieving the goals.

Thereafter the following agenda points were presented by the Company Secretary in accordance with the working paper:

Agenda-3 **APPROVAL OF REP NO. 03/AMR/HESCO TECHNICAL PROPOSAL OPENED ON 25.10.2016 AND FINANCIAL PROPOSAL OPENED ON 23.11.2016 FOR DESIGN, SUPPLY, INSTALLATION AND COMMISSIONING OF ADVANCED METERING INFRASTRUCTURE INCLUDING METER DATA COLLECTION (MDC) SERVER (SOFTWARE & HARDWARE), END USER REPORTING / BILLING INTERFACE, AMI METERS WITH COMMUNICATION SERVICES, CONNECTIVITY ON GOS & PRIVATE INDUSTRIAL CONNECTIONS IN HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)**

Convenor of Procurement Committee informed the Board that the management had brought this agenda in Procurement Committee meeting. The Committee observed that the rates of AMR meters are very high and also one of the member of evaluation committee had put dissent note in the evaluation committee minutes about high rates, for which the procurement committee suggested the evaluation from third party. Management presented the evaluation report submitted by M/s EnMasse (Pvt) Ltd, Lahore and informed regarding the two suggestions / options as recommendations by the third party. Management informed that second option would be preferable in case there is limitation of time and also keeping in view that re-tendering may not yield the required results. Moreover M/s Accurate (Pvt) Ltd, Lahore as a good gesture also has voluntarily offered special discount of PKR. 33,884,035 reducing finally price of RFP to PKR 258,600,000/- against original quoted total cost PKR 292,484,035/- (LOT-I). If the special discount is considered the combined rates of single phase, three phase and TOU Non-AMR meters with GSM/GPRS module & Cost of Installations of these meters quoted by M/s Accurate (Pvt.) Ltd against (LOT-I) will be 100.02% of Engineering estimate.

Board observed that if the AMR Meters could not be procured on immediate basis then there is huge financial and legal impact on the agreement between Federal Govt. and Provincial Government. The Board was informed by the Management that if the AMR meters are not installed the company will be billing them at fixed monthly bill which will cost billions to HESCO. In addition to this the AMR meters were to be installed in December, 2016 as agreed in the above mentioned agreement. The Board also discussed on the issue that while many companies took the RFP documents but only two filed bids. The Management was of the view that the reason for other companies not coming in is scope of work which is tedious and complicated and does not only include supply of meters. It includes supply of total solution and therefore the cost is higher. The Board therefore observed that the management and procurement committee has not properly considered all the issues related with this including scope of work.

Board after detailed discussion suggested the following:

- After third party evaluation the internal evaluation committee should sit again to approve the recommendations of third party.

- Board suggested to share procurement decision with Energy Department GoS to avoid any observations at later stage.
- Board directed to prepare the strategy, time line, work plan for installation of 14355 AMR meters for the whole project of Sindh Government.
- Board suggested the training for HESCO employee through same contractor during execution of project to ensure that the HESCO be able to run project after completion of contract. Board emphasized that training component must be covered in the agreement.
- Board suggested that installation of AMR meters on Government of Sindh connections should be monitored by a team headed by a senior officer not below the rank of Chief Engineer and their progress may be communicated to Board Directors regularly on monthly basis. The Board was of the view that proper human resource capacity needs to be created from existing resources for implementation and running of the AMR meters and MIS.
- The Board also directed that the Management should take ownership of the already installed AMR meters in Qasimabad and bring the progress of them in the next meeting.

Decision Board after detailed discussion approved the following:

1. **LOT-I**

Board approved the Bid (for LOT-I only) subject to clear recommendations of evaluation committee of HESCO for awarding Purchase Order to M/s Accurate Private Ltd with following condition:

- i. In the case of (Lot-I) Govt. of Sindh Connections the successful bidder immediately after issuance of Purchase Order shall start the mass production in parallel with prototype / testing / approval. If any deviation observed in the supplied material during the testing of prototype the same shall replace in compliance with the prototype.

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- ii. Along with LOI the firm should submit the strategy before launching the project and submit the timeline for the whole project and also give the presentation to the Board meeting.

2. LOT-II

Board accorded approval for re-tendering the Lot-II.

Agenda-4 APPROVAL OF OUTSOURCING THE METER READING AND RECOVERY FROM RECEIVABLE IN LATIFABAD DIVISION

Board observed with concern that the meter reading efficiency is very low throughout the company and despite hectic efforts / remedial measures meter reading is not improved. For the reduction of line losses and to overcome complaints of customers regarding wrong meter reading, Board appreciated the proposal submitted by CEO HESCO and suggested the same proposal for one year as 'pilot project' which could be extendable on best performance.

Board further suggested that

- 56 No. meter readers / metering staff spared from Latifabad Division should be readjusted or utilized at other Opr: Divisions of HESCO.
- Board directed to monitor the progress of outsource party and submit the report to the Board on monthly basis.
- Board further suggested that the contract documents should be prepared from best lawyer on the terms of reference prepared by the HESCO management.
- Board suggested that the agreement should be for one year and company must have rights to terminate contract any time.
- HESCO interest should be covered in agreement through Bank guarantee.

Decision In order to reduce the line losses and to overcome the complaints of customers regarding wrong meter reading and billing in the best interest of company's work, Board appreciated the proposal submitted by CEO

HESCO and accorded approval for outsourcing the meter reading in Latifabad Division, only for one year contract (extendable on best performance) through bidding process.

Agenda-05 **APPROVAL OF AWARD OF WORK ON CONTRACT BASIS FOR INSTALLATION OF METER ON UN-METERED CONNECTIONS AND REPLACEMENT OF DEFECTIVE METERS IN ALL SUB DIVISION OF HESCO**

Board discussed agenda item in detail and observed that there is no legal opinion available for consideration. Board suggested the management to get legal opinion alongwith strong justification like cost benefits, future plan, operating expenditure, KPIs, etc and be put in next meeting of BOD.

Decision With the above directives the item was deferred by the BOD.

Ex-Agenda-1 **CONSENSUS AND APPROVAL OF BOD HESCO TO AUTHORIZE CEO HESCO FOR SUBMISSION OF POWER ACQUISITION REQUEST (PAR) IN NEPRA AND SIGNING OF POWER PURCHASE AGREEMENT (PPA) WITH M/S HI-TECH PIPE & ENGINEERING INDUSTRIES (PVT) LIMITED FOR FURTHER FIVE (5) YEARS FOR PROCUREMENT OF 8.0 MW (GAS BASED) POWER UNDER POLICY FRAMEWORK**

Management briefed the agenda to the Board to which H'able Directors shown their concern on the legal implication of the matter because the SPPs are in the litigation with HESCO in Supreme Court of Pakistan. Board further showed its concern over draft of power purchase agreement and emphasized that it should be drafted by Legal Advisor protecting all the rights and privileges of HESCO. Management briefed that the agreed draft will be vetted by the NEPRA, Tariff of Captive Power Producer will be on take & pay basis and there is no bindings on either party like Bank guarantee by Power Purchaser or guarantee dispatch by power producers. The Board observed that NEPRA is an external institution therefore it is important that legal opinion is taken before extending or signing any PPA, SPP etc. The Board also observed that this company is already in litigation with HESCO, and that needs to be explicitly mentioned in the paper submitted to Board for approval. The extension to this company should not effect the current court case, and that the basis on which the case has been filed by this company

Decision

BOD HESCO accorded approval and authorized CEO HESCO for submission of Power Acquisition Request (PAR) in NEPRA and signing of Power Purchase Agreement (PPA) with M/s Hi-Tech Pipe & Engineering Industries (Pvt) Limited for further Five (5) years for procurement of 8.0 MW (Gas Based) Power under SPP Policy Framework subject to opinion from the lawyers that this extension will not effect the rights and privileges of HESCO and the current court case. Board also directed that in future detailed legal opinion should be taken before bringing the note to the Board.

Ex-Agenda-2 **CONSTRUCTION OF XEN / RO OFFICE OPERATION DIVISION
HESCO NAWABSHAH AT 132KV GRID STATION HESCO SOCIETY
NAWABSHAH**

Board observed that the agenda item is not reflecting as management has described verbally. Board also took serious notice on non-preparation of PC-1 by the Civil Directorate and directed to prepare PC-1 and agenda item accordingly. The Board also observed that the expenditure of the company needs to be curtailed and only very critical expenditure should be incurred.

Decision With the above observations the item was deferred by the BOD.

Being no additional agenda Board meeting was ended with vote of thanks to chair and from the chair.

By the order of Board


(FAHEEMULLAH MEMON)
COMPANY SECRETARY

LIST OF PARTICIPANT WHO ATTENDED THE 128TH BOD MEETING DATED
18.02.2017 AT 11:00 HRS

Present		
1.	Prof. Dr. Muhammad Aslam Uqaili	Director (In Chair)
2.	Mr. Asad Ullah	Director / CEO HESCO
3.	Mr. Waqas Anwar Qureshi	Director
4.	Mr. Mehmood Nawaz Shah	Director
5.	Mr. Mehfooz Ahmed Bhatti	Director
6.	Mr. Tassaduq Hussain	Director (through video link)
7.	Mr. Faheemullah Memon	Company Secretary
Absence		
8.	Qazi Shahid Pervez	On leave
9.	Mr. Shafique Ahmed Mahesar	On leave
By Invitation		
10.	Mr. Saeed Ahmed Dawach	Chief Commercial Officer
11.	Mr. Parvaiz Afzal	Chief Engineer (P&E)
12.	Mr. Mazhar Majeed Awan	Manager (Material Management)
13.	Mr. Mehmood Ali Kaimkhani	Manager (Commercial)
14.	Mr. Khalid Hussain Meerani	XEN (Civil)